

**HUMBOLDT
COMMUNITY SCHOOL DISTRICT**

INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS

JUNE 30, 2005

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HUMBOLDT COMMUNITY SCHOOL DISTRICT

OFFICIALS

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
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BOARD OF EDUCATION

(Before September, 2004 Election)

Mike Sexe	President	2004
Sharon Dailey	Vice President	2006
Daryl Short		2005
Elaine Curran		2005
Wayne Miner		2006

(After September, 2004 Election)

Mike Sexe	President	2007
Sharon Dailey	Vice President	2006
Daryl Short		2005
Elaine Curran		2005
Wayne Miner		2006

SCHOOL OFFICIALS

Dr. Joyce Judas	Superintendent
Patty Carroll (Resigned November 2004)	District Secretary
Lisa Thul (Appointed November 2004)	District Secretary
Cheryl Dodd	District Treasurer

Independent Auditor's Report

To the Board of Education of the
Humboldt Community School District:

We have audited the accompanying financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of Humboldt Community School District as of and for the year ended June 30, 2005, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of District officials. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards and provisions require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of Humboldt Community School District as of June 30, 2005 and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued our report dated December 2, 2005 on our consideration of Humboldt Community School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Management's Discussion and Analysis and budgetary comparison information on pages 4 through 11 and 31 through 33 are not required parts of the financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Humboldt Community School District's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the three years ended June 30, 2004 (none of which are presented herein) and expressed unqualified opinions on those financial statements. The supplemental information included in Schedules 1 through 6, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in our audit of the aforementioned financial statements and, in our opinion, is fairly stated in all material respects in relation to the financial statements taken as a whole.

BRUCE D. FRINK
Certified Public Accountant

December 2, 2004

HUMBOLDT COMMUNITY SCHOOL DISTRICT

Management's Discussion and Analysis

This section of the Humboldt Community School District's Comprehensive Annual Financial Report presents its "discussion and analysis" of the District's financial performance during the fiscal year ending June 30, 2005. Please read it in conjunction with the District's financial statements.

2005 FINANCIAL HIGHLIGHTS

- The District's General Fund balance increased by nearly \$500,000. This is the third consecutive year that the balance has increased. The District had revenues of \$9,996,513 and \$9,496,815 was spent during the year.
- The District experienced a decrease in both Resident and BEDS enrollment. The September 2004 enrollment was 1303.2, while the September 2003 enrollment was 1361.7. This is indicative of the actual number of students attending District schools including open enrollment in students. The District has a plus 74 of open enrolled students versus open enrolled out.
- Revenues increased over \$500,000 or 5% from the prior year. This was due primarily to a combination of increased state foundation aid and increased federal grant activity. This offset a decrease in property taxes due to property devaluations. Expenditures increased just over \$500,000 or 6% primarily due to normal increases in payroll costs and special education.
- The District is monitoring its discretionary spending in an effort to improve the financial condition of the District's General Fund.
- The District has actively pursued grants from various sources in order to enhance the District's course offerings.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of three parts: management's discussion and analysis (this section), the financial statements, and required supplemental information.

The financial statements also include notes that explain some of the information in the statements and provide more detailed data. The statements are followed by a section of required supplementary information that further explains and supports the financial statements.

Figure A-1 shows how the various parts of this annual report are arranged and relate to one another.

Figure A-1
Humboldt Community School District

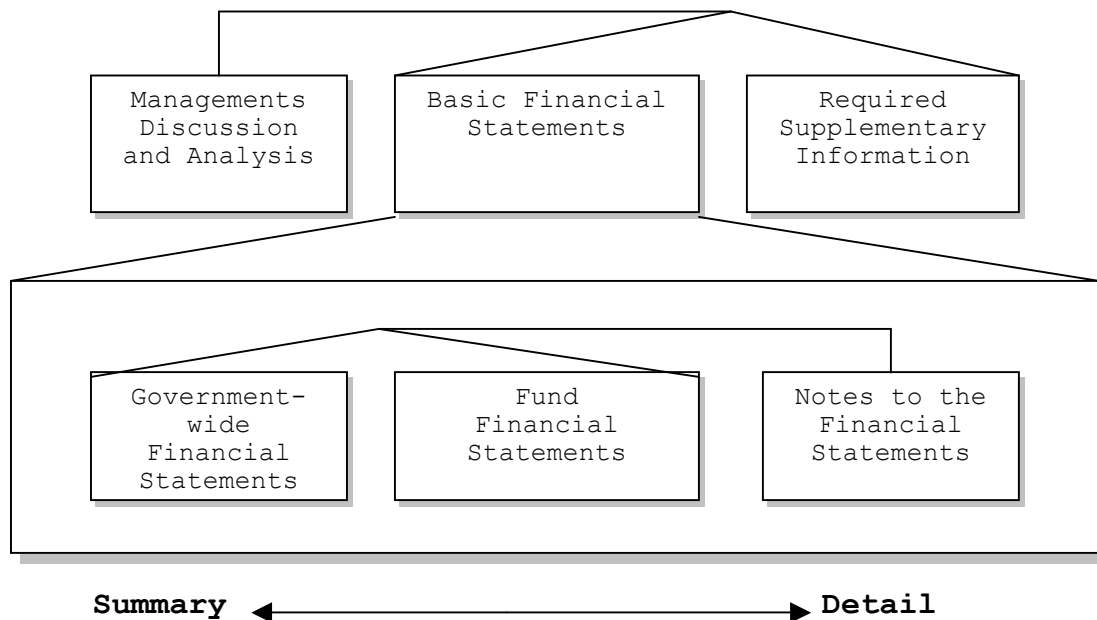


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain. The remainder of this overview section of the management discussion and analysis highlights the structure and contents of each of the statements.

Figure A-2
Major Features of the Government-Wide and Fund Financial Statements

	Government-Wide Statements	Fund Financial Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire district	The activities of the district that are not proprietary, such as special education and building maintenance	Activities the district operates similar to private businesses, such as food service	Instances in which the district administers resources on behalf of someone else, such as scholarship programs and student activities monies
Required financial statements	. Statement of net assets . Statement of activities	. Balance sheet . Statement of revenues, expenditures, and changes in fund balances	. Statement of net assets . Statement of revenues, expenses and changes in net assets . Statement of cash flows	. Statement of fiduciary net assets . Statement of changes in fiduciary net assets
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both financial and capital, and short-term and long-term	All assets and liabilities, both short-term and long-term; funds do not currently contain capital assets, although they can
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due and payable	All revenues and expenses during the year, regardless of when cash is received or paid	All additions and deductions during the year, regardless of when cash is received or paid

COMBINED BALANCE SHEET

The combined balance sheet shows the total assets, liabilities, and fund equity for all of the funds for the entire district for the 2004 fiscal year. The combined balance sheet shows three major fund types as well as the account groups: general fixed assets and the general long-term debt.

The government funds include: the general fund, special revenue, debt service, and capital projects. Most of the District's basic services are included here, such as regular education, special education, building and grounds maintenance, transportation, administration, and capital projects. Property taxes and state aid finance most of these activities.

The District's only enterprise fund is the school nutrition fund.

The fiduciary funds include: trusts and agencies. The District is the trustee or fiduciary for assets that belong to others, such as scholarship funds. The District is responsible for ensuring that the assets reported in these funds are used only for their intended purposes and by those to whom the assets belong. The District excludes these activities from other types of funds because the District cannot use these assets to finance its operations.

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

Net assets - Figure A-3 below provides a summary of the District's net assets for the year ended June 30, 2005 compared to 2004.

Figure A-3
Condensed Statement of Net Assets
(expressed in thousands)

	Governmental		Business-type		Total		Percentage
	Activities		Activities		School District		Change
	2005	2004	2005	2004	2005	2004	2004-2005
	\$	\$	\$	\$	\$	\$	
Current assets	7,727	7,114	21	37	7,748	7,151	8.35%
Capital assets	1,823	1,955	40	48	1,863	2,003	-6.99%
Total assets	<u>9,550</u>	<u>9,069</u>	<u>61</u>	<u>85</u>	<u>9,611</u>	<u>9,154</u>	<u>4.99%</u>
Current liabilities	4,315	4,648	-	-	4,315	4,648	-7.16%
Non-current liabilities	1,116	1,116	-	-	1,116	1,116	0.00%
Total liabilities	<u>5,431</u>	<u>5,764</u>	<u>-</u>	<u>-</u>	<u>5,431</u>	<u>5,764</u>	<u>-5.78%</u>
Net Assets							
Invested in capital assets, net of related debt	707	594	40	48	747	642	16.36%
Restricted	1,021	837	-	-	1,021	837	21.98%
Unrestricted	2,391	1,874	21	37	2,412	1,911	26.22%
Total net assets	<u>4,119</u>	<u>3,305</u>	<u>61</u>	<u>85</u>	<u>4,180</u>	<u>3,390</u>	<u>23.30%</u>

Total net assets increased 23% as a result of increases in all funds, except for School Nutrition. The General Fund increased almost \$500,000 as a result of additional grant money being brought in to the District.

Changes in net assets - Figure A-4 shows the changes in net assets for the year ended June 30, 2005.

Figure A-4
Change in Net Assets
(expressed in thousands)

	Governmental Activities	Business-type Activities	Total School District
	\$	\$	\$
Revenues:			
Program revenues:			
Charges for service and sales	867	212	1,079
Operating grants, contributions and restricted interest	1,385	174	1,559
General revenues:			
Property tax	4,409	-	4,409
Local option sales tax	91	-	91
Unrestricted state grants	4,340	-	4,340
Unrestricted investment earnings	29	-	29
Other	22	-	22
Total revenues	<u>11,143</u>	<u>386</u>	<u>11,529</u>
Program expenses:			
Governmental activities:			
Instruction	6,687	-	6,687
Support Services	3,052	-	3,052
Non-instructional programs	3	411	414
Other expenses	587	-	587
Total expenses	<u>10,329</u>	<u>411</u>	<u>10,740</u>
Change in net assets	<u>814</u>	<u>(25)</u>	<u>789</u>

Property tax and unrestricted state grants account for 76% of the total revenue. The District's expenses primarily relate to instruction and support services which account for 91% of the total expenses.

Governmental Activities

Revenues for governmental activities were \$11,143,856 and expenses were \$10,329,382. The District continues to monitor discretionary spending and looking for additional sources of revenue in order to maintain programs.

The following table presents the total and net cost of the District's major governmental activities: instruction, support services, non-instructional programs and other expenses.

Figure A-5		
Total and Net Cost of Governmental Activities		
(expressed in thousands)		
	Total Cost of Services	Net Cost of Services
	\$	\$
Instruction	6,687	4,857
Support Services	3,052	3,011
Non-instructional programs	3	3
Other expenditures	<u>587</u>	<u>207</u>
Totals	<u>10,329</u>	<u>8,078</u>

- The cost financed by users of the District's programs was \$866,835.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$1,110,334.
- The net cost of governmental activities was financed with \$4,409,823 in property tax, \$4,340,151 in state foundation aid, and \$29,361 in interest income.

Proprietary-Type Activities

Revenues for the District's School Nutrition Fund were \$385,936 and expenses were \$410,544. The revenues include: charges for services, contributions, and federal and state reimbursements.

The Trust Funds are funds given and designated by outside groups and people basically to be given as scholarships. These funds are not to be used to support the operations of the District.

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

The Humboldt Community School District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The financial performance of the District is reflected in its governmental funds. As the District completed the fiscal year, its governmental funds reported a combined fund balance of \$4,119,386, which is more than last year's ending fund balance of \$3,304,912.

- The District has been trying to control its General Fund balance by holding the line on payroll and discretionary spending as well as obtaining outside grants.
- A positive open enrollment balance into the District will help maintain instructional programs with increased funding.
- The District's governmental funds have all increased in the past fiscal year. The increases of the past few years give the Board and Administration some opportunities that were not available only a few short years ago.

BUDGETARY HIGHLIGHTS

In accordance with the Code of Iowa, the Board of Education annually adopts a budget after the required public notice and hearing. The budget for the current fiscal year is usually amended each April for revenues and expenditures that could not be anticipated the prior April. The budget amending process follows similar statutory procedures.

It is the District's practice, as is in most Iowa school districts, to budget expenditures at or about the maximum authorized spending. As a result, the District's certified budget should always exceed the actual expenditures for the year. Expenditures did not exceed the amounts budgeted.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

By the end of fiscal year 2005, the District has invested more than \$7,000,000 in a broad range of capital assets including school buildings, athletic facilities, kitchens, computers and audio-visual equipment, administration building, transportation/storage facility, maintenance equipment, school buses, and other vehicles, library holdings and textbooks. Total depreciation expense for the year exceeded \$135,000.

Figure A-6
Condensed Statement of Net Assets
(expressed in thousands)

	Governmental		Business-type		Total		Total
	Activities		Activities		School District		Change
	June 30,		June 30,		June 30,		June 30,
	2005	2004	2005	2004	2005	2004	2004-2005
	\$	\$	\$	\$	\$	\$	
Land	49	49	-	-	49	49	0.00%
Land improvements	92	101	-	-	92	101	-8.91%
Buildings	1,509	1,583	-	-	1,509	1,583	-4.67%
Furniture and equipment	173	222	40	48	213	270	-21.11%
Totals	<u>1,823</u>	<u>1,955</u>	<u>40</u>	<u>48</u>	<u>1,863</u>	<u>2,003</u>	<u>-6.99%</u>

Long-term Debt

The District makes principal and interest payments yearly on general obligation bonds and capital loan notes using property tax dollars obtained through voted levies.

Figure A-7
Outstanding Long-Term Obligations
(expressed in thousands)

	Total		Total
	District		Change
	June 30,		June 30,
	2005	2004	2004-2005
	\$	\$	
General obligation bonds	775	915	-15.30%
EPA loan	11	16	-31.25%
Capital loan notes	330	430	-23.26%
Total	<u>1,116</u>	<u>1,361</u>	<u>-18.00%</u>

FACTORS BEARING ON THE DISTRICT'S FUTURE

At the time these financial statements were prepared and audited, the District was aware of existing circumstances that could significantly affect its financial health in the future:

- The state has now completely abandoned Phase III funding to schools for teacher staff development and curriculum work.
- Iowa's public schools were notified in October 2003 that the state would make an immediate 2.5% across-the-board reduction in funding for the 2004 fiscal year.
- Unfunded mandates such as "No Child Left Behind," and "GASB34" are making it very difficult for schools to keep adequate staffing and provide the necessary instructional materials.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and creditors with a general overview of the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Joyce Judas, Superintendent, Humboldt Community Schools, 1408 9th Ave N, Humboldt, Iowa 50548.

Basic Financial Statements

HUMBOLDT COMMUNITY SCHOOL DISTRICT

Statement of Net Assets

June 30, 2005

	Governmental Activities	Business-Type Activities	Total
	\$	\$	\$
Assets			
Cash and pooled investments	3,286,761	11,013	3,297,774
Receivables:			
Property tax:			
Current year	58,952	-	58,952
Succeeding year	4,211,999	-	4,211,999
Due from other governments	168,602	-	168,602
Other receivables	932	-	932
Inventories	-	9,628	9,628
Capital assets, net of accumulated depreciation (note 6)	1,823,016	40,146	1,863,162
Total assets	<u>9,550,262</u>	<u>60,787</u>	<u>9,611,049</u>
Liabilities			
Accounts payable	99,783	-	99,783
Accrued interest payable	3,004	-	3,004
Deferred revenue:			
Succeeding year property tax	4,211,999	-	4,211,999
Long term liabilities:			
Portion due within one year:			
Capital loan notes	100,000	-	100,000
Energy loan payable	5,000	-	5,000
General obligation bonds payable	150,000	-	150,000
Portion due after one year:			
Capital loan notes	230,000	-	230,000
Energy loan payable	6,090	-	6,090
General obligation bonds payable	625,000	-	625,000
Total liabilities	<u>5,430,876</u>	<u>-</u>	<u>5,430,876</u>
Net assets			
Invested in capital assets, net of related debt	706,926	40,146	747,072
Restricted for:			
Debt service	24,050	-	24,050
Capital Projects	267,953	-	267,953
Management Fund	558,823	-	558,823
Physical Plant and Equipment Levy Fund	169,859	-	169,859
Unrestricted	2,391,775	20,641	2,412,416
Total net assets	<u>4,119,386</u>	<u>60,787</u>	<u>4,180,173</u>

See notes to financial statements.

HUMBOLDT COMMUNITY SCHOOL DISTRICT

Statement of Activities

Year ended June 30, 2005

	Program Revenues					Total
	Expenses	Charges for Service	Operating Grants, Contributions and Restricted Interest	Governmental Activities	Business-Type Activities	
	\$	\$	\$	\$	\$	\$
Functions/Programs						
Governmental activities:						
Instruction:						
Regular instruction	4,203,107	566,783	388,140	(3,248,184)	-	(3,248,184)
Special instruction	1,861,063	300,052	278,222	(1,282,789)	-	(1,282,789)
Other instruction	622,450	-	296,984	(325,466)	-	(325,466)
	<u>6,686,620</u>	<u>866,835</u>	<u>963,346</u>	<u>(4,856,439)</u>	<u>-</u>	<u>(4,856,439)</u>
Support services:						
Student services	317,654	-	3,886	(313,768)	-	(313,768)
Instructional staff services	567,479	-	-	(567,479)	-	(567,479)
Administration services	1,028,026	-	-	(1,028,026)	-	(1,028,026)
Operation and maintenance of plant services	792,801	-	9,618	(783,183)	-	(783,183)
Transportation services	346,058	-	27,477	(318,581)	-	(318,581)
	<u>3,052,018</u>	<u>-</u>	<u>40,981</u>	<u>(3,011,037)</u>	<u>-</u>	<u>(3,011,037)</u>
Non-instructional programs:						
Food service operations	3,389	-	-	(3,389)	-	(3,389)
Other expenditures:						
Interest on long-term debt	42,721	-	297	(42,424)	-	(42,424)
Long-term debt service	100	-	-	(100)	-	(100)
Facilities acquisition and construction	32,489	-	558	(31,931)	-	(31,931)
AEA flowthrough	379,759	-	379,759	-	-	-
Depreciation (unallocated)*	132,286	-	-	(132,286)	-	(132,286)
	<u>587,355</u>	<u>-</u>	<u>380,614</u>	<u>(206,741)</u>	<u>-</u>	<u>(206,741)</u>
Total governmental activities	10,329,382	866,835	1,384,941	(8,077,606)	-	(8,077,606)

HUMBOLDT COMMUNITY SCHOOL DISTRICT

Statement of Activities

Year ended June 30, 2005

	Program Revenues					
		Charges for	Operating Grants, Contributions and Restricted Interest	Governmental	Business-Type	Total
	Expenses	Service		Activities	Activities	
	\$	\$	\$	\$	\$	\$
Business-Type activities:						
Non-instructional programs:						
Nutrition services	410,544	212,186	173,750	-	(24,608)	(24,608)
Total	10,739,926	1,079,021	1,558,691	(8,077,606)	(24,608)	(8,102,214)
General revenues:						
Property tax levied for:						
General purposes				3,619,524	-	3,619,524
Management fund				331,316	-	331,316
Capital outlay				295,789	-	295,789
Debt service				163,194	-	163,194
Local option sales tax				90,910	-	90,910
Unrestricted state grants				4,340,151	-	4,340,151
Unrestricted investment earnings				29,361	-	29,361
Other				21,835	-	21,835
Total general revenue				8,892,080	-	8,892,080
Change in net assets				814,474	(24,608)	789,866
Net assets beginning of year				3,304,912	85,395	3,390,307
Net assets end of year				4,119,386	60,787	4,180,173

* This amount excludes the depreciation that is included in the direct expense of the various programs.

See notes to financial statements.

HUMBOLDT COMMUNITY SCHOOL DISTRICT

Balance Sheet

Governmental Funds

June 30, 2005

	General	Debt Service	Capital Projects	Non-major Special Revenue	Total
	\$	\$	\$	\$	\$
Assets					
Cash and pooled investments	2,171,654	24,872	248,051	842,184	3,286,761
Receivables:					
Property tax:					
Current year	48,356	2,182	-	8,414	58,952
Succeeding year	3,467,067	168,725	-	576,207	4,211,999
Due from other governments	148,700	-	19,902	-	168,602
Other receivables	932	-	-	-	932
Total assets	<u>5,836,709</u>	<u>195,779</u>	<u>267,953</u>	<u>1,426,805</u>	<u>7,727,246</u>
Liabilities and Fund Balances					
Liabilities:					
Accounts payable	84,506	-	-	15,277	99,783
Deferred revenue:					
Succeeding year property tax	3,467,067	168,725	-	576,207	4,211,999
Total liabilities	<u>3,551,573</u>	<u>168,725</u>	<u>-</u>	<u>591,484</u>	<u>4,311,782</u>
Fund balances:					
Reserved for debt service	-	27,054	-	-	27,054
Reserved for capital projects	-	-	267,953	-	267,953
Unreserved fund balance	2,285,136	-	-	835,321	3,120,457
Total fund equity and other credits	<u>2,285,136</u>	<u>27,054</u>	<u>267,953</u>	<u>835,321</u>	<u>3,415,464</u>
Total liabilities and fund balances	<u>5,836,709</u>	<u>195,779</u>	<u>267,953</u>	<u>1,426,805</u>	<u>7,727,246</u>

See notes to financial statements.

HUMBOLDT COMMUNITY SCHOOL DISTRICT

Reconciliation of the Balance Sheet - Governmental Funds
to the Statement of Net Assets

June 30, 2005

Total fund balances of governmental funds (Exhibit C)	\$ 3,415,464
Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds.	1,823,016
Accrued interest payable on long-term liabilities is not due and payable in the current period and, therefore, is not reported as a liability in the governmental funds	(3,004)
Long-term liabilities, capital loan notes payable are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds.	<u>(1,116,090)</u>
Net assets of governmental activities (Exhibit A)	<u>\$ 4,119,386</u>

See notes to financial statements.

HUMBOLDT COMMUNITY SCHOOL DISTRICT

Statement of Revenues, Expenditures and Changes in Fund Balances

Governmental Fund Types

Year ended June 30, 2005

	General	Debt Service	Capital Projects	Non-major Special Revenue	Total
	\$	\$	\$	\$	\$
Revenues:					
Local sources					
Local tax	3,619,524	163,194	90,910	627,105	4,500,733
Tuition	679,891	-	-	-	679,891
Other	247,349	146	558	264,694	512,747
State sources	5,127,061	151	-	585	5,127,797
Federal sources	322,688	-	-	-	322,688
Total revenues	9,996,513	163,491	91,468	892,384	11,143,856
Expenditures:					
Instruction					
Regular instruction	4,006,358	-	-	196,749	4,203,107
Special instruction	1,861,063	-	-	-	1,861,063
Other instruction	385,521	-	-	236,929	622,450
	6,252,942	-	-	433,678	6,686,620
Support services					
Student services	317,654	-	-	-	317,654
Instructional staff services	567,479	-	-	-	567,479
Administration services	972,768	-	-	55,258	1,028,026
Operation and maintenance of plant services	679,905	-	-	112,896	792,801
Transportation services	326,308	-	-	19,750	346,058
	2,864,114	-	-	187,904	3,052,018

HUMBOLDT COMMUNITY SCHOOL DISTRICT

Statement of Revenues, Expenditures and Changes in Fund Balances

Governmental Fund Types

Year ended June 30, 2005

	General	Debt Service	Capital Projects	Non-major Special Revenue	Total
	\$	\$	\$	\$	\$
Expenditures (continued):					
Non-instructional programs					
Food service operations	-	-	-	3,389	3,389
Other expenditures					
Long-term debt:					
Principal	-	245,000	-	-	245,000
Interest	-	43,334	-	-	43,334
Services	-	100	-	-	100
Facility acquisition and construction	-	-	9,957	22,532	32,489
AEA flowthrough	379,759	-	-	-	379,759
	379,759	288,434	9,957	22,532	700,682
Total expenditures	9,496,815	288,434	9,957	647,503	10,442,709
Excess (deficiency) of revenues over (under) expenditures	499,698	(124,943)	81,511	244,881	701,147
Other financing sources (uses):					
Operating transfers in	-	127,509	-	-	127,509
Operating transfers out	-	-	-	(127,509)	(127,509)
Total other financial sources (uses)	-	127,509	-	(127,509)	-
Net change in fund balance	499,698	2,566	81,511	117,372	701,147
Fund balances beginning of year	1,785,438	24,488	186,442	717,949	2,714,317
Fund balances end of year	2,285,136	27,054	267,953	835,321	3,415,464

See notes to financial statements.

HUMBOLDT COMMUNITY SCHOOL DISTRICT

Reconciliation of the Statement of Revenues, Expenditures and
 Changes in Fund Balances - Governmental Funds
 to the Statement of Activities

Year ended June 30, 2005

Net change in fund balances - total governmental funds (Exhibit E) \$ 701,147

**Amounts reported for governmental activities in the
 statement of activities are different because:**

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, those costs are reported in the Statement of Net Assets and are allocated over their estimated useful lives as depreciation expense in the Statement of Activities. The amounts of capital outlays and depreciation expense in the year are as follows:

Capital outlays	\$ -	
Depreciation expense	<u>(132,286)</u>	(132,286)

Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when due. In the Statement of Activities, interest expense is recognized as the interest accrues, regardless of when it is due.

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Repayment of long-term debt principal is an expenditure in the governmental funds, but it reduces long-term liabilities in the statement of net assets and does not affect the statement of activities.

245,000

Change in net assets of governmental activities (Exhibit B) \$ 814,474

HUMBOLDT COMMUNITY SCHOOL DISTRICT

Statement of Revenues, Expenses and Changes in Net Assets

Proprietary Fund

Year ended June 30, 2005

	School Nutrition
	<u>\$</u>
Operating revenue:	
Local sources:	
Charges for services	<u>212,186</u>
Operating expenses:	
Non-instructional programs:	
Food service operations:	
Salaries	151,530
Benefits	24,472
Services	8,963
Supplies	218,087
Depreciation	<u>7,492</u>
Total operating expenses	<u>410,544</u>
Operating (loss)	<u>(198,358)</u>
Non-operating revenues:	
Interest on investments	194
State sources	5,280
Federal sources	<u>168,276</u>
Total non-operating revenues	<u>173,750</u>
Change in net assets	(24,608)
Net assets beginning of year	<u>85,395</u>
Net assets end of year	<u><u>60,787</u></u>

See notes to financial statements.

HUMBOLDT COMMUNITY SCHOOL DISTRICT

Statement of Cash Flows

Proprietary Funds

Year ended June 30, 2005

	Enterprise School Nutrition \$
Cash flows from operating activities:	
Cash received from sale of lunches and breakfasts	212,260
Cash payments to employees for services	(176,002)
Cash payments to suppliers for goods or services	(197,213)
Net cash (used in) operating activities	(160,955)
Cash flows from non-capital financing activities:	
State grants received	5,280
Federal grants received	152,302
Net cash provided by non-capital financing activities	157,582
Cash flows from investing activities:	
Interest on investments	194
Net increase in cash and cash equivalents	(3,179)
Cash and cash equivalents beginning of year	14,192
Cash and cash equivalents end of year	11,013
Reconciliation of operating income (loss) to net cash used in operating activities:	
Operating (loss)	(198,358)
Adjustments to reconcile operating (loss) to net cash provided by (used in) operating activities:	
Depreciation	7,492
Commodities used	28,561
Decrease in inventory	1,350
	(160,955)
Reconciliation of cash and cash equivalents at year end to specific assets included on Combined Balance Sheet:	
Current assets:	
Cash	11,013
Non-cash investing, capital and financing activities:	

During the year ended June 30, 2005, the District received federal commodities valued at \$28,561.

See notes to financial statements.

HUMBOLDT COMMUNITY SCHOOL DISTRICT

Statement of Fiduciary Net Assets

Fiduciary Funds

Year ended June 30, 2005

	Private Purpose Trusts
	<u>\$</u>
Assets	
Cash and pooled investments	<u>1,853,946</u>
Total assets	<u>1,853,946</u>
Net Assets	
Reserved for general education	1,668,051
Reserved for scholarships	<u>185,895</u>
Total net assets	<u><u>1,853,946</u></u>

See notes to financial statements.

HUMBOLDT COMMUNITY SCHOOL DISTRICT

Statement of Changes in Fiduciary Net Assets

Fiduciary Funds

Year ended June 30, 2005

	Private Purpose Trusts
	<u>\$</u>
Additions:	
Local sources:	
Interest on investments	37,709
Contributions	<u>100</u>
Total additions	<u>37,809</u>
Deductions:	
Support services:	
Other	<u>14,396</u>
Total deductions	<u>14,396</u>
Change in net assets	23,413
Net assets beginning of year	<u>1,830,533</u>
Net assets end of year	<u><u>1,853,946</u></u>

HUMBOLDT COMMUNITY SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2005

(1) Summary of Significant Accounting Policies

Humboldt Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve and special education pre-kindergarten. The geographic area served includes the Cities of Humboldt and Dakota City, Iowa, and agricultural territory in Humboldt, Webster and Wright Counties. The District is governed by a Board of Education whose members are elected on a non-partisan basis.

The District's financial statements are prepared in conformity with U.S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board.

A. Reporting Entity

For financial reporting purposes, Humboldt Community School District has included all funds, organizations, account groups, agencies, boards, commissions and authorities. The District has also considered all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the District to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on the District. The Humboldt Community School District has no component units which meet the Governmental Accounting Standards Board criteria.

Jointly Governed Organizations - The District participates in a jointly governed organization that provides services to the District but does not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The District is a member of the Humboldt County Assessor's Conference Board.

B. Basis of Presentation

Government-wide financial statements - The statements of net assets and the statement of activities report information on all of the non-fiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by tax and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for service.

The statement of net assets presents the District's non-fiduciary assets and liabilities, with the difference reported as net assets. Net assets are reported in three categories:

Invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes, and other debt that are attributed to the acquisition, construction, or improvement of those assets.

Restricted net assets result when constraints placed on net asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net assets consist of net assets that do not meet the definition of the two preceding categories. Unrestricted net assets often have constraints on resources that are imposed by management, but can be removed or modified.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants, contributions and interest that are restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements - Separate financial statements are provided for governmental, proprietary, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as other non-major governmental funds.

The District reports the following major governmental funds:

The General Fund is the general operating fund of the District. All general tax revenues and other receipts that are not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating expenses, including instructional, support and other costs.

The Debt Service Fund is utilized to account for the payment of interest and principal on the District's general long-term debt.

The Capital Projects Fund is used to account for all resources used in the acquisition and construction of capital facilities.

The District reports the following major proprietary fund:

The District's proprietary fund is the Enterprise, School Nutrition Fund. The School Nutrition Fund is used to account for the food service operations of the District.

C. Measurement Focus and Basis of Accounting

The government-wide financial statements and the proprietary and fiduciary fund financial statements are reported using the "economic resources measurement focus". The government-wide and proprietary fund financial statements are reported using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax is recognized as revenue in the year for which it is levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected with 60 days after year end.

Property tax, intergovernmental revenues (shared revenues, grants and reimbursements from other governments) and interest associated with the current fiscal period are all considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the District.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt, claims and judgments, and compensated absences are recognized as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financial sources.

Under terms of grant agreements, the District funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the District's policy to first apply cost-reimbursement grant resources to such programs, and then general revenues.

The proprietary fund of the District applies all applicable GASB pronouncements as well as the following pronouncements issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee on Accounting Procedure.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary funds' principal ongoing operations. The principal operating revenues of the District's enterprise fund is charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sale and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

The District maintains its financial records on the cash basis. The financial statement of the District are prepared by making memorandum adjusting entries to the cash basis financial records.

D. Assets, Liabilities and Fund Equity

Cash, Investments and Cash Equivalents - The cash balances of most District funds are pooled and invested. Investments are stated at fair value except for the investment in the Iowa Schools Joint Investment Trust which is valued at amortized cost and non-negotiable certificates of deposit which are stated at cost.

For purposes of the statement of cash flows, all short-term cash investments that are highly liquid are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash and, at the day of purchase, they have a maturity date no longer than three months.

Property Tax Receivable - Property tax in Governmental Funds are accounted for using the modified accrual basis of accounting.

Property tax receivable is recognized in these funds on the levy or lien date, which is the date that the tax asking is certified by the Board of Education. Delinquent property tax receivable represents unpaid taxes for the current and prior years. The succeeding year property tax receivable represents taxes certified by the Board of Education to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the District is required to certify its budget in April of each year for the subsequent fiscal year. However, by statute, the tax asking the budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred in both the Government-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 2002 assessed property valuations; is for the tax accrual period July 1, 2003 through June 30, 2005 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April 2003.

Due From Other Governments - Due from other governments represents amounts due from the State of Iowa, various shared revenues, grants and reimbursements from other governments.

Inventories - Inventories are valued at cost using the first-in, first-out method for purchased items and contributed value for government commodities.

Capital Assets - Capital assets, which include property, furniture, and equipment, are reported in the applicable governmental or business-type activities columns in the Government-wide statement of net assets. Capital assets are recorded at historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are defined by the District as assets with an initial, individual cost in excess of the following thresholds and estimated useful lives in excess of two years.

Land	\$ 2,000
Buildings	10,000
Improvements other than buildings	10,000
Furniture and equipment:	
School Nutrition Fund equipment	1,000
Other furniture and equipment	1,000

Property, furniture and equipment are depreciated using the straight line method of depreciation over the following estimated useful lives:

Buildings	50 years
Improvements other than buildings	20-50 years
Furniture and equipment	5-15 years

Deferred Revenue - Although certain revenues are measurable, they are not available. Available means collectible within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue in the governmental fund financial statements represent the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue consists of unspent grant proceeds as well as property tax receivables and other receivables not collected within sixty days after year end.

Deferred revenue on the statement of net assets consists of succeeding year property tax receivable that will not be recognized as revenue until the year for which it is levied.

Compensated Absences - District employees accumulated a limited amount of earned but unused vacation for subsequent use or for payment upon termination, death or retirement. A liability is recorded when incurred in the Government-wide financial statements. A liability for these amounts is reported in governmental funds only for employees that have resigned or retired. The compensated absences liability is deemed to be immaterial at June 30, 2005.

Long-term obligations - In the Government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities column in the statement of net assets.

Fund Balances - In the governmental fund financial statements, reservations of fund balance are reported for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose.

Restricted Net Assets - In the Government-wide statement of net assets, net assets are reported as restricted when constraints placed on net asset use are either externally imposed by creditors, grantors, contributors or laws and regulations of other governments or imposed by law through constitutional provisions or enabling legislation.

E. Budgeting and Budgetary Control

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2005, disbursements did not exceed the amounts budgeted.

(2) **Cash and Investments**

The District's deposits at June 30, 2005 were entirely covered by Federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public fund.

The District is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Education and the Treasurer of the State of Iowa; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

The District had no investments at June 30, 2005.

(3) **Capital Assets**

Capital assets activity for the year ended June 30, 2005 is as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
	\$	\$	\$	\$
Governmental activities:				
Capital assets not being depreciated:				
Land	<u>49,250</u>	<u>-</u>	<u>-</u>	<u>49,250</u>
Capital assets being depreciated:				
Land Improvements	849,758	-	-	849,758
Buildings	4,174,921	-	-	4,174,921
Furniture and Equipment	<u>2,401,635</u>	<u>-</u>	<u>-</u>	<u>2,401,635</u>
Total capital assets being depreciated	<u>7,426,314</u>	<u>-</u>	<u>-</u>	<u>7,426,314</u>
Less accumulated depreciation for:				
Land Improvements	748,840	8,659	-	757,499
Buildings	2,592,229	73,807	-	2,666,036
Furniture and Equipment	<u>2,179,193</u>	<u>49,820</u>	<u>-</u>	<u>2,229,013</u>
Total accumulated depreciation	<u>5,520,262</u>	<u>132,286</u>	<u>-</u>	<u>5,652,548</u>
Total capital assets being depreciated, net	<u>1,906,052</u>	<u>(132,286)</u>	<u>-</u>	<u>1,773,766</u>
Governmental activities, capital assets, net	<u>1,955,302</u>	<u>(132,286)</u>	<u>-</u>	<u>1,823,016</u>

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
	\$	\$	\$	\$
Business type activities				
Furniture and Equipment	89,900	-	-	89,900
Less accumulated depreciation	<u>42,262</u>	<u>7,492</u>	<u>-</u>	<u>49,754</u>
Business type activities capital assets, net	<u>47,638</u>	<u>(7,492)</u>	<u>-</u>	<u>40,146</u>

Depreciation expense was charged to the following functions:

Governmental activities:	
Unallocated	<u>132,286</u>
Business type activities:	
Food service operations	<u>7,492</u>

(4) Bonds Payable

The District refinanced its outstanding bonded indebtedness during the fiscal year ending June 30, 2005 at an estimated savings to the taxpayers of \$118,000. Details of the District's June 30, 2005 general obligation bonded indebtedness are as follows:

Year Ending June 30,	Interest Rate %	Principal \$	Interest \$	Total \$
2006	1.80	150,000	18,725	168,725
2007	2.10	150,000	16,025	166,025
2008	2.35	150,000	12,875	162,875
2009	2.75	160,000	9,350	169,350
2010	3.00	<u>165,000</u>	<u>4,950</u>	<u>169,950</u>
Total		<u>775,000</u>	<u>61,925</u>	<u>836,925</u>

(5) Changes in Long-Term Debt

A summary of changes in long-term debt for the year ended June 30, 2005 is as follows:

	General Obligation Bonds	EPA Loan	Capital Loan Notes	Total
Balance beginning of year	\$915,000	16,090	430,000	1,361,090
Additions	-	-	-	-
Reductions	<u>140,000</u>	<u>5,000</u>	<u>100,000</u>	<u>245,000</u>
Balance end of year	<u>\$775,000</u>	<u>11,090</u>	<u>330,000</u>	<u>1,116,090</u>

(6) Pension and Retirement Benefits

The District contributes to the Iowa Public Employees Retirement System (IPERS) which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by State statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, PO Box 9117, Des Moines, Iowa, 50306-9117.

Plan members are required to contribute 3.70% of their annual salary and the District is required to contribute 5.75% of annual payroll. Contribution requirements are established by State statute. The District's contribution to IPERS for the years ended June 30, 2005, 2004, and 2003 were \$320,958, \$330,017, and \$337,025 respectively, equal to the required contributions for each year.

(7) Risk Management

Humboldt Community School District is exposed to various risks of loss related to torts; theft; damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

(8) Area Education Agency

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$379,759 for year ended June 30, 2005 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

(9) Early Retirement

The District offers a voluntary early retirement plan to its certified employees. Eligible employees must be at least age fifty-five and employees must have completed fifteen years of continuous service to the District. Employees must complete an application which is required to be approved by the Board of Education. The early retirement incentive for each eligible employee is equal to \$13,500. Early retirement benefits paid during the year ended June 30, 2005 totaled \$169,010.

(10) Capital Loan Notes/Construction in Progress

Capital loan notes in the amount of \$900,000 were issued in September, 1998 for the remodeling, improvement, reconstruction and repair of the high school, junior high school and elementary buildings. All open contracts have been completed. The District is in the process of developing projects for using the funds. The notes will be repaid from proceeds of the District's voted Physical Plant and Equipment Levy.

Details of the debt at June 30, 2005 are as follows:

<u>Year Ending June 30,</u>	<u>Interest Rate</u> %	<u>Principal</u> \$	<u>Interest</u> \$	<u>Total</u> \$
2006	5.25	100,000	17,325	117,325
2007	5.25	110,000	12,075	122,075
2008	5.25	<u>120,000</u>	<u>6,300</u>	<u>126,300</u>
Total		<u>330,000</u>	<u>35,700</u>	<u>365,700</u>

(11) EPA Loan

During the year ended June 30, 1992, the District received a \$81,090 loan from the U.S. Environmental Protection Agency Asbestos in School Hazard Abatement Program. The loan is interest free and is to be repaid \$5,000 a year.

<u>Year</u>	<u>Amount</u>
2006	5,000
2007	5,000
2008	<u>1,090</u>
	<u>\$11,090</u>

REQUIRED SUPPLEMENTARY INFORMATION

HUMBOLDT COMMUNITY SCHOOL DISTRICT

Budgetary Comparison Schedule of Revenues, Expenditures and Changes in Balances -
Budget and Actual - All Governmental Funds and Proprietary Fund

Required Supplementary Information

Year ended June 30, 2005

	Governmental Fund Types	Proprietary Fund Type	Total	Budgeted Amounts		Final to Actual Variance - Positive (Negative)
	Actual	Actual	Actual	Original	Final	
	\$	\$	\$	\$	\$	\$
Revenues						
Local sources	5,621,573	212,454	5,834,027	5,893,022	5,893,022	(58,995)
State sources	5,127,797	5,280	5,133,077	5,010,948	5,010,948	122,129
Federal sources	322,688	152,302	474,990	320,000	320,000	154,990
Total revenues	<u>11,072,058</u>	<u>370,036</u>	<u>11,442,094</u>	<u>11,223,970</u>	<u>11,223,970</u>	<u>218,124</u>
Expenditures						
Instruction	6,628,498	-	6,628,498	7,821,027	7,821,027	1,192,529
Support services	3,052,018	-	3,052,018	3,339,000	3,339,000	286,982
Non-instructional programs	-	373,215	373,215	410,554	410,554	37,339
Other expenditures	700,682	-	700,682	973,950	973,950	273,268
Total expenditures	<u>10,381,198</u>	<u>373,215</u>	<u>10,754,413</u>	<u>12,544,531</u>	<u>12,544,531</u>	<u>1,790,118</u>
Excess of revenues over expenditures	690,860	(3,179)	687,681	(1,320,561)	(1,320,561)	2,008,242
Other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	690,860	(3,179)	687,681	(1,320,561)	(1,320,561)	2,008,242
Balance beginning of year	<u>2,595,901</u>	<u>14,192</u>	<u>2,610,093</u>	<u>3,962,304</u>	<u>3,962,304</u>	<u>(1,352,211)</u>
Balance end of year	<u><u>3,286,761</u></u>	<u><u>11,013</u></u>	<u><u>3,297,774</u></u>	<u><u>2,641,743</u></u>	<u><u>2,641,743</u></u>	<u><u>656,031</u></u>

See accompanying independent auditor's report.

HUMBOLDT COMMUNITY SCHOOL DISTRICT

Budgetary Comparison Schedule - Budget to GAAP Reconciliation

Required Supplementary Information

Year ended June 30, 2005

	Governmental Fund Type		
	Cash	Accrual	Modified
	Basis	Adjustments	Accrual
	\$	\$	Basis
Revenues	11,072,058	71,798	11,143,856
Expenditures	10,381,198	61,511	10,442,709
Net	690,860	10,287	701,147
Other financing sources (uses)	-	-	-
Beginning fund balances	2,595,901	118,416	2,714,317
Ending fund balances	3,286,761	128,703	3,415,464

	Proprietary Fund Type		
	Enterprise		
	Cash	Accrual	Accrual
	Basis	Adjustments	Basis
	\$	\$	\$
Revenues	370,036	15,900	385,936
Expenditures	373,215	37,329	410,544
Net	(3,179)	(21,429)	(24,608)
Beginning fund balances	14,192	71,203	85,395
Ending fund balances	11,013	49,774	60,787

See accompanying independent auditor's report.

HUMBOLDT COMMUNITY SCHOOL DISTRICT

Notes to Required Supplementary Information - Budgetary Reporting

Year ended June 30, 2005

This budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standard Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds, except Private Purpose Trust and Agency Funds. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on the cash basis. Encumbrances are not recognized on the cash basis budget and appropriations lapse at year-end.

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functions, not by fund or fund type. These four functions are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents function expenditures or expenses by fund, the legal level of control is at the aggregated functional level, not by fund. The Code of Iowa also provides that District expenditures in the General Fund may not exceed the amount authorized by the school finance formula.

During the year ended June 30, 2005, disbursements did not exceed the amount budgeted in any of the four functions. The District did not exceed the General Fund unspent authorized budget.

Other Supplementary Information

HUMBOLDT COMMUNITY SCHOOL DISTRICT

Combining Balance Sheet

Non-major Special Revenue Funds

June 30, 2005

	Management	Student	Physical Plant and Equipment Levy	Total
	\$	\$	\$	\$
Assets				
Cash and pooled investments	557,728	106,639	177,817	842,184
Property tax receivable:				
Current year	4,435	-	3,979	8,414
Succeeding year	275,000	-	301,207	576,207
Total assets	<u>837,163</u>	<u>106,639</u>	<u>483,003</u>	<u>1,426,805</u>
Liabilities and Fund Equity				
Liabilities:				
Accounts payable	3,340	-	11,937	15,277
Deferred revenue:				
Succeeding year property tax	275,000	-	301,207	576,207
	<u>278,340</u>	<u>-</u>	<u>313,144</u>	<u>591,484</u>
Fund equity:				
Unreserved fund balance	<u>558,823</u>	<u>106,639</u>	<u>169,859</u>	<u>835,321</u>
Total liabilities and fund equity	<u>837,163</u>	<u>106,639</u>	<u>483,003</u>	<u>1,426,805</u>

See accompanying independent auditor's report.

HUMBOLDT COMMUNITY SCHOOL DISTRICT

Combining Schedule of Revenues, Expenditures
and Changes in Fund Balances

Non-major Special Revenue Funds

Year ended June 30, 2005

	Management	Student Activity	Physical Plant and Equipment Levy	Total
	\$	\$	\$	\$
Revenues:				
Local sources:				
Local tax	331,316	-	295,789	627,105
Other	1,583	255,661	7,450	264,694
State sources	309	-	276	585
Total revenues	<u>333,208</u>	<u>255,661</u>	<u>303,515</u>	<u>892,384</u>
Expenditures:				
Instruction:				
Regular instruction	183,059	-	13,690	196,749
Co-curricular instruction	-	236,929	-	236,929
Support services:				
Administration	28,658	-	26,600	55,258
Plant operation and maintenance	57,749	-	55,147	112,896
Student transportation	19,750	-	-	19,750
Non-instructional programs:				
Food service operations	3,389	-	-	3,389
Other expenditures:				
Facilities acquisition and construction	-	-	22,532	22,532
Total expenditures	<u>292,605</u>	<u>236,929</u>	<u>117,969</u>	<u>647,503</u>
Excess (deficiency) of revenues over (under) expenditures	<u>40,603</u>	<u>18,732</u>	<u>185,546</u>	<u>244,881</u>
Other financing (uses):				
Operating transfers out	-	-	(127,509)	(127,509)
Total operating financing (uses)	<u>-</u>	<u>-</u>	<u>(127,509)</u>	<u>(127,509)</u>
Excess (deficiency) of revenues over (under) expenditures and other financing uses	<u>40,603</u>	<u>18,732</u>	<u>58,037</u>	<u>117,372</u>
Fund balances beginning of year	<u>518,220</u>	<u>87,907</u>	<u>111,822</u>	<u>717,949</u>
Balance end of year	<u><u>558,823</u></u>	<u><u>106,639</u></u>	<u><u>169,859</u></u>	<u><u>835,321</u></u>

See accompanying independent auditor's report.

HUMBOLDT COMMUNITY SCHOOL DISTRICT

Schedule of Changes in Individual Student Activity Accounts

Year ended June 30, 2005

Account	Balance Beginning of Year	Revenues	Expenditures	Balance End of Year
	\$	\$	\$	\$
Cross Country	1,166	1,548	1,532	1,182
Boys Basketball	6,691	7,008	1,893	11,806
Football	178	12,465	12,537	106
Baseball	106	5,702	5,808	-
Boys Track	322	4,279	4,601	-
Boys Golf	88	139	227	-
Wrestling	1,750	6,345	5,746	2,349
Girls Basketball	4,556	7,369	3,571	8,354
Volleyball	551	5,330	5,881	-
Softball	72	9,360	9,432	-
Girls Track	812	3,056	3,868	-
Girls Golf	619	-	393	226
Soccer	750	1,992	1,548	1,194
High School Camps	-	5,021	2,691	2,330
Olympics	82	-	-	82
Spanish Club	6,209	1,034	6,690	553
Drama	16,094	8,400	5,300	19,194
Cheerleaders	-	2,773	2,648	125
MOC	1,638	-	-	1,638
Graphic Arts	573	-	-	573
Student Senate	4,889	5,091	4,740	5,240
FFA	6,559	17,651	19,301	4,909
MS Cheerleading	742	-	126	616
Drill Team	2,538	14,893	7,503	9,928
Class of 2003	(1,505)	1,505	-	-
Class of 2004	-	-	-	-
Class of 2005	1,689	1,140	2,829	-
Class of 2006	2,504	2,931	5,285	150
Class of 2007	1,620	-	62	1,558
Class of 2008	-	4,495	2,506	1,989
High School	1,510	348	528	1,330
Middle School	1,853	6,017	3,000	4,870
Taft	620	2,830	2,478	972
Mease	568	1,895	1,234	1,229
Secondary Academic Boosters	3,743	2,631	2,723	3,651
Elementary Art	61	-	-	61
Elementary PE	142	-	-	142
High School Art	180	-	1,829	(1,649)
Elementary Special	241	-	-	241
Elementary Academic Boosters	3,423	16,595	17,391	2,627
Taft Character Counts	-	150	140	10
Vocal HS	1,137	2,038	2,244	931
Vocal MS	1,682	1,062	2,045	699
Vocal Elementary	1,577	623	94	2,106

HUMBOLDT COMMUNITY SCHOOL DISTRICT

Schedule of Changes in Individual Student Activity Accounts

Year ended June 30, 2005

Account	Balance Beginning of Year	Revenues	Expenditures	Balance End of Year
	\$	\$	\$	\$
Band HS	1,002	2,457	3,031	428
Band MS	1,909	1,644	1,580	1,973
Band Elementary	515	325	786	54
Band Resale HS	-	6,388	5,581	807
Nokomis 2001	(2,321)	2,321	-	-
Nokomis 2003	(461)	461	-	-
Nokomis 2004	8,559	-	8,559	-
Nokomis 2005	-	19,513	11,813	7,700
Rockets - 6th Grade	209	1,730	1,153	786
Concessions	-	-	(10)	10
HS PE	2,391	345	157	2,579
Concessions - MS	5,107	-	-	5,107
Student Activity	(12,726)	68,929	64,852	(8,649)
Track Project	242	2,430	790	1,882
Weight Room	275	-	-	275
Motel	4,907	2,643	5,454	2,096
Checking Interest	-	508	508	-
Mease CD	61	-	-	61
Middle School CD	203	-	-	203
Investment Interest	5	-	-	5
	87,907	273,410	254,678	106,639
Less interaccount transfers		(17,749)	(17,749)	
Totals	87,907	255,661	236,929	106,639

See accompanying independent auditor's report.

HUMBOLDT COMMUNITY SCHOOL DISTRICT

Combining Balance Sheet

Private Purpose Trusts

Year ended June 30, 2005

	Clyde R. & Nira Mease Scholarship	Dan Rusher Memorial	Bertha Peterson Scholarship	Michael H. Baker Scholarship	Harry Reasoner Educational Trust	Joe & Edith Reasoner Educational Trust
	\$	\$	\$	\$	\$	\$
Assets						
Cash and pooled investments	<u>5,909</u>	<u>12</u>	<u>7,387</u>	<u>9,178</u>	<u>4,002</u>	<u>11,088</u>
	<u><u>5,909</u></u>	<u><u>12</u></u>	<u><u>7,387</u></u>	<u><u>9,178</u></u>	<u><u>4,002</u></u>	<u><u>11,088</u></u>
Fund Equity						
Fund equity:						
Reserved for general education	-	-	-	-	-	-
Reserved for scholarships	<u>5,909</u>	<u>12</u>	<u>7,387</u>	<u>9,178</u>	<u>4,002</u>	<u>11,088</u>
	<u><u>5,909</u></u>	<u><u>12</u></u>	<u><u>7,387</u></u>	<u><u>9,178</u></u>	<u><u>4,002</u></u>	<u><u>11,088</u></u>

HUMBOLDT COMMUNITY SCHOOL DISTRICT

Combining Balance Sheet

Private Purpose Trusts

Year ended June 30, 2005

	Cramlet/ Schnoor Scholarship	Esther Hansen Scholarship	Guy Carter Memorial	Anderson Scholarship	Klasse Scholarship	Stead Scholarship
	\$	\$	\$	\$	\$	\$
Assets						
Cash and pooled investments	<u>79,630</u>	<u>10,217</u>	<u>233</u>	<u>10,395</u>	<u>20,356</u>	<u>646</u>
	<u><u>79,630</u></u>	<u><u>10,217</u></u>	<u><u>233</u></u>	<u><u>10,395</u></u>	<u><u>20,356</u></u>	<u><u>646</u></u>
Fund Equity						
Fund equity:						
Reserved for general education	-	-	-	-	-	-
Reserved for scholarships	<u>79,630</u>	<u>10,217</u>	<u>233</u>	<u>10,395</u>	<u>20,356</u>	<u>646</u>
	<u><u>79,630</u></u>	<u><u>10,217</u></u>	<u><u>233</u></u>	<u><u>10,395</u></u>	<u><u>20,356</u></u>	<u><u>646</u></u>

HUMBOLDT COMMUNITY SCHOOL DISTRICT

Combining Balance Sheet

Private Purpose Trusts

General purposes

	Castle Theater Scholarship	Howard G. & Ruth A. Louthen Trust	Bette L. Newton Scholarship	Rogness Scholarship	Totals
	\$	\$	\$	\$	\$
Assets					
Cash and pooled investments	<u>9,421</u>	<u>1,668,051</u>	<u>7,863</u>	<u>9,558</u>	<u>1,853,946</u>
	<u>9,421</u>	<u>1,668,051</u>	<u>7,863</u>	<u>9,558</u>	<u>1,853,946</u>
Fund Equity					
Fund equity:					
Reserved for general education	-	1,668,051	-	-	1,668,051
Reserved for scholarships	<u>9,421</u>	<u>-</u>	<u>7,863</u>	<u>9,558</u>	<u>185,895</u>
	<u>9,421</u>	<u>1,668,051</u>	<u>7,863</u>	<u>9,558</u>	<u>1,853,946</u>

See accompanying independent auditor's report.

HUMBOLDT COMMUNITY SCHOOL DISTRICT

Combining Statement of Revenues, Expenditures and Changes in Fund Balances

Private Purpose Trusts

Year ended June 30, 2005

	Clyde R. & Nira Mease Scholarship	Dan Rusher Memorial	Bertha Peterson Scholarship	Michael H. Baker Scholarship	Harry Reasoner Educational Trust	Joe & Edith Reasoner Educational Trust
	\$	\$	\$	\$	\$	\$
Revenues:						
Local sources:						
Interest on investments	220	2	290	360	160	440
Contributions	-	100	-	-	-	-
	<u>220</u>	<u>102</u>	<u>290</u>	<u>360</u>	<u>160</u>	<u>440</u>
Expenditures:						
Instruction:						
Regular instruction:						
Other	300	250	250	250	200	400
	<u>300</u>	<u>250</u>	<u>250</u>	<u>250</u>	<u>200</u>	<u>400</u>
Excess (deficiency) of revenues over (under) expenditures	(80)	(148)	40	110	(40)	40
Balance beginning of year	<u>5,989</u>	<u>160</u>	<u>7,347</u>	<u>9,068</u>	<u>4,042</u>	<u>11,048</u>
Balance end of year	<u><u>5,909</u></u>	<u><u>12</u></u>	<u><u>7,387</u></u>	<u><u>9,178</u></u>	<u><u>4,002</u></u>	<u><u>11,088</u></u>

HUMBOLDT COMMUNITY SCHOOL DISTRICT

Combining Statement of Revenues, Expenditures and Changes in Fund Balance

Private Purpose Trusts

Year ended June 30, 2005

	Cramlet/ Schnoor Scholarship	Esther Hansen Scholarship	Guy Carter Memorial	Anderson Scholarship	Klasse Scholarship	Stead Scholarship
	\$	\$	\$	\$	\$	\$
Revenues:						
Local sources:						
Interest on investments	2,600	400	1	400	610	4
Contributions	-	-	-	-	-	-
	<u>2,600</u>	<u>400</u>	<u>1</u>	<u>400</u>	<u>610</u>	<u>4</u>
Expenditures:						
Instruction:						
Regular instruction:						
Other	<u>3,000</u>	<u>280</u>	<u>250</u>	<u>300</u>	<u>500</u>	<u>616</u>
	<u>3,000</u>	<u>280</u>	<u>250</u>	<u>300</u>	<u>500</u>	<u>616</u>
Excess (deficiency) of revenues over (under) expenditures	(400)	120	(249)	100	110	(612)
Balance beginning of year	<u>80,030</u>	<u>10,097</u>	<u>482</u>	<u>10,295</u>	<u>20,246</u>	<u>1,258</u>
Balance end of year	<u><u>79,630</u></u>	<u><u>10,217</u></u>	<u><u>233</u></u>	<u><u>10,395</u></u>	<u><u>20,356</u></u>	<u><u>646</u></u>

HUMBOLDT COMMUNITY SCHOOL DISTRICT

Combining Statement of Revenues, Expenditures and Changes in Fund Balances

Private Purpose Trusts

Year ended June 30, 2005

	Castle Theater Scholarship	Howard G. & Ruth A. Louthen Trust	Bette L. Newton Scholarship	Rogness Scholarship	Totals
	\$	\$	\$	\$	\$
Revenues:					
Local sources:					
Interest on investments	364	31,512	320	26	37,709
Contributions	-	-	-	-	100
	<u>364</u>	<u>31,512</u>	<u>320</u>	<u>26</u>	<u>37,809</u>
Expenditures:					
Instruction:					
Regular instruction:					
Other	300	6,000	500	1,000	14,396
	<u>300</u>	<u>6,000</u>	<u>500</u>	<u>1,000</u>	<u>14,396</u>
Excess (deficiency) of revenues over (under) expenditures	64	25,512	(180)	(974)	23,413
Balance beginning of year	<u>9,357</u>	<u>1,642,539</u>	<u>8,043</u>	<u>10,532</u>	<u>1,830,533</u>
Balance end of year	<u><u>9,421</u></u>	<u><u>1,668,051</u></u>	<u><u>7,863</u></u>	<u><u>9,558</u></u>	<u><u>1,853,946</u></u>

See accompanying independent auditor's report.

HUMBOLDT COMMUNITY SCHOOL DISTRICT

Comparison of Taxes and Intergovernmental Revenues

All Governmental Funds

	Years ended June 30,			
	2004	2003	2002	2001
	\$	\$	\$	\$
Local sources:				
General	3,619,524	3,724,576	3,763,382	3,439,331
Special revenue/debt service	790,299	743,231	729,156	927,312
Capital projects	90,910	106,717	75,826	26,001
	<u>4,500,733</u>	<u>4,574,524</u>	<u>4,568,364</u>	<u>4,392,644</u>
State sources:				
General	5,127,061	4,726,283	4,845,672	4,811,079
Special revenue/debt service	736	705	394	943
	<u>5,127,797</u>	<u>4,726,988</u>	<u>4,846,066</u>	<u>4,812,022</u>
Federal sources:				
General	322,688	170,904	246,183	521,566
Special revenue/debt service	-	-	33,848	-
	<u>322,688</u>	<u>170,904</u>	<u>280,031</u>	<u>521,566</u>
Total	<u><u>9,951,218</u></u>	<u><u>9,472,416</u></u>	<u><u>9,694,461</u></u>	<u><u>9,726,232</u></u>

See accompanying independent auditor's report.

**Independent Auditor's Report on Internal Control over Financial
Reporting and on Compliance and Other Matters
Based on an Audit of Financial Statements Performed in
Accordance with Government Auditing Standards**

To the Board of Education of the
Humboldt Community School District:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the Humboldt Community School District as of and for the year ended June 30, 2005, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued our report thereon dated December 2, 2005. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Humboldt Community School District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the District's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in Part I of the accompanying Schedule of Findings.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, of the reportable conditions described above, we believe item 05-I-A is a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Humboldt Community School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed immaterial instances of non-compliance that are required to be reported under Government Auditing Standards.

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2005 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the District. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of Humboldt Community School District and other parties to whom Humboldt Community School District may report, including federal awarding agencies and pass through entities. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of Humboldt Community School District during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

BRUCE D. FRINK
Certified Public Accountant

December 2, 2005

HUMBOLDT COMMUNITY SCHOOL DISTRICT

Schedule of Findings

Year ended June 30, 2005

Part I: Findings Related to the Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were reported.

REPORTABLE CONDITIONS:

05-I-A Segregation of Duties - One important aspect of the internal control structure is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. The District has done a good job of segregating duties among the present staff, however, the District Secretary continues to have the ability to override the present controls and circumvent the internal control systems.

Recommendation - We realize the job description, as defined by the Code of Iowa, of the District Secretary makes the segregation of duties even more difficult and the elimination of the possibility of administrative override of the system improbable. However, we feel the board and the administration should review these policies annually and with each personnel change to insure the best possible control climate is maintained.

Response - We will continue to review procedures to obtain the best controls possible.

Conclusion - Response accepted.

Part II: Other Findings Related to Required Statutory Reporting:

05-II-A Official Depositories - Official depositories have been approved by the District. The maximum deposit amounts approved were not exceeded during the year ended June 30, 2005.

05-II-B Certified Budget - Expenditures for the year ended June 30, 2005, did not exceed the amounts budgeted.

05-II-C Questionable Disbursements - We noted no disbursements that may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979.

05-II-D Travel Expense - No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.

HUMBOLDT COMMUNITY SCHOOL DISTRICT

Schedule of Findings

Year ended June 30, 2005

Part II: Other Findings Related to Required Statutory Reporting: (continued)

05-II-E Business Transactions - Business transactions between the District and District officials or employees are detailed as follows:

<u>Name, Title and Business Connection</u>	<u>Transaction Description</u>	<u>Amount</u>
Mike Dailey husband of Board Member, owner of Humboldt Motor Sales	Vehicle repairs and rentals	\$14,752

The transaction with Mr. Dailey appears to represent a conflict of interest since the transactions exceed the \$2,500 of purchases allowed by the Code of Iowa.

Recommendation - The District should consult legal counsel to determine the disposition of this matter.

Response - We will consult our attorney.

Conclusion - Response accepted.

05-II-F Bond Coverage - Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.

05-II-G Board Minutes - We noted no transactions requiring Board approval which had not been approved by the Board.

05-II-H Deposits and Investments - We noted no instances of noncompliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District's investment policy.

05-II-I Certified Annual Report - We noted that the District's Certified Annual Report was not filed with the Department of Education by the September 15, 2005 due date.

Recommendation - We recommend that the District file the annual report on a timely basis.

Response -We will comply with the recommendation.

Conclusion - Response accepted.

05-II-J Certified Enrollment - We noted no variances in the basic enrollment data certified to the Department of Education.